RG104 E-313 Philippine and Puerto Rico 1899-1923

No. 20347 Bureau of the Mint REC. MAY 20 1903

COPY.

April 23/1903.

Hon. Elihu Root,

Secretary of War,

Washington, D. C.

Dear Sir:

I know that the more or less rapid advance in the price of silver bullion during the past few weeks must have been of interest to you at least, and possibly of some solicitude.

Where anyone is a buyer even for the Government, they naturally are inclined to desire to buy as cheaply as possible and possibly are inclined to think if the price is advanced that some advantage is being taken of them.

Since the purchases of silver for Philippine coinage began, our company have been regular offerers to the Government, but there have of course been numerous other sellers. Our offers have always been made directly on the parity of the London market of the day. Today we even took pains to make our offer based on the London quotation of 23-3/4 pence, although an advance in the market during the day in London resulted in closing bids being made to us before 12 o'clock, and before we offered to the Government, at 23-13/16 pence.

The silver industry in this country has for a long time complained of the manipulationx of the London clique. There are four London brokers who deal in silver bullion. Virtually the entire amount of bar silver shipped to London, where the world's price is made, is re-shipped very largely through the Eastern banks to Africa and Asia. The amount consumed in the arts in England is supplied by the silver obtained from raw material refined in England. These Eastern banks, or their London offices, act only as agents in buying, and in order to relieve themselves of all responsibility in buying, insist upon

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making their purchases through one or the other of these brokers. The four brokers meet at a quarter before two every afternoon and compare notes and make what is known as the official price. Since the sellers of silver are obliged to throw their daily product upon the London market, these brokers have an absolute control and have used it for a long time, either speculatively, or otherwise, to the detriment of the producers of silver, and also, we believe, to the extreme detriment of the commerce of the world.

Last Fall in a few weeks' time the price of silver was marked down from equal to 52 to about 47 cents per ounce, New York. There was absolutely no increase in production, or decrease in consumption. The excuse for reducing the price was that the Straits Settlements and Mexico were going on a gold basis. It was perfectly well known to these brokers, as to everyone else who has examined the subject, that even in case this was done, the consumption of silver would remain either the same, or actually increase, but apparently it was too great a temptation for them to make money on their forward sales, which is the way silver is sold in London against Eastern exchange.

I do not know that it is necessary to state to you that our company are not directly interested at all in the price of silver. We act virtually as agents or commission merchants for the benefit of the miner. The miner receives for his product, the market price daily, whatever this is, and this company are only interested in the way that they are more closely interested in the prosperity of the miners, but otherwise only as the entire world is interested in the improvement of the price of a great world's product and the doing away of the demoralization to trade with the silver-using countries

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through constant decline in the price of silver bullion.

The comparatively small amount of silver which the Philippine Government has purchased, together with a recent purchase by the French Government of 1,600,000 ounces for Indo-China (which, by the way was their first purchase since the agitation last Fall to place the currency of the Straits Settlements upon the gold basis) has doubtless made it somewhat harder for the London brokers to fill their short sales, but a far greater effect upon the market doubtless is the fact that India is beginning to buy again to replete its treasury, which is being exhausted by the presentation of gold received for large exports due to a good crop in India after two or three years famine. You probably are aware that when the Indian Government were obliged to buy three years ago, they purchased about 60,000,000 ounces during the year for coinage into rupees and the market advanced under this extraordinary demand from about 52 to 65 cents per ounce, New York. So far as we can judge, such extraordinary purchases will not be necessary this year, but if the entirely unnecessary depression in price of this most important product of our country can be overcome by introducing a new buyer, and to a certain extent competition in buying, it certainly would seem to be only justice to the silver producers, and also would have a most beneficial effect in the commerce of a large portion of the world governed by silver currency.

In connection with the very serious depression brought about in the price of silver during the past ten years, I have been most interested in noting by recent examination that the amount of the net imports of silver into India during the past 10 years since the mints were closed to free coinage at Bombay, have exceeded by an average

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of 10,000,000 ounces per year the amount of the net imports during the 10 years preceding the closing of the mints. When we consider the fact that the price of silver was reduced more than 20% in two weeks on account of the closing of the mints in India, and presumably because thereby the consumption of silver would be decreased, it will be seen what an entirely arbitrary and detrimental control London has had over a great product of this country, which has brought back to us from $30,000,000 to $50,000,000 in gold yearly.

Doubtless a large factor also in the advance in the price of silver is the renewed demand for silver for China. Last year in connection with collecting silver by taxation to pay the indemnity, the banks received this silver and would have to account for it in exchange exported, all told, about 8,000,000 ounces during the year. China has been normally an importer of about 15,000,000 ounces of silver per year. The payment of the indemnity does not affect the necessity for this silver circulation. In other words, the shipments of last year were a forced denuding of the circulation which now may have to be replaced in addition to the usual net importations.

Up to this time last year there had been shipped from London to the Straits Settlements, Hongkong and China, less than £17,000, equal to approximately 350,000 ounces, whereas this year to date, shipments have amounted to £258,166, equal to approximately 2,500,000 ounces.

I suppose that the Philippine Commission are doubtless congratulating themselves on the return in silver values, as they complained so bitterly of their losses on account of the decline in the price of silver. It looks as though these losses were in a fair way to be returned to them - possibly with interest.

Yours very truly,

(M. Edward Brush
Amer. Smelting & Refining Co.)

RG104 E-313 Philippine and Puerto Rico coins

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